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To An Address of the House of Commons dated the 30th March, 1903, for copies of the correspondence exchanged between the Government and the different Provincial Legislatures on the subject of the increase of the subsidies paid to the provinces in virtue of the British North America Act.

R. W. SCOTT,
Secretary of State.

PROCEEDINGS OF THE INTERPROVINCIAL CONFERENCE HELD AT THE CITY OF QUEBEC FROM THE 18th TO THE 20th OF DECEMBER, 1902, INCLUSIVELY.

The Interprovincial Conference, convened by the Hon. S. N. Parent, Premier of Quebec, met on the 18th of December, 1902, at six o'clock p.m.

This conference was called by the following circular letter sent by the Honourable Mr. Parent to the premiers of the different provinces of the Dominion:—

Quebec, 20th November, 1902.

Dear Sir,—Before Sir Wilfrid Laurier's departure for Europe, in June last, I had occasion to speak to him concerning the increase of the subsidy paid by the Dominion government to the different provinces. This question has been talked of at different intervals, and especially, in 1887, when the Interprovincial Conference held meetings, but for different reasons, nothing has been done in that regard up to the present moment.

Sir Wilfrid Laurier did not disapprove of the project, but expressed the desire that no step be taken in the matter until he returns. This I did, but I think that now that the session is near at hand, the moment has come when it is proper to submit the

question to the consideration of the Dominion government.

It is not now my intention to give all the reasons which, in my opinion, have a bearing on the question. Allow me simply to say this: the Dominion has, of late especially, taken large development, its population has increased in a fair degree and the public revenue has also been steadily increasing. As a consequence of the increase of population, the provinces, in their respective sphere of action, are called upon to make provision for larger expenses, viz.: the administration of justice, public instruction, &c., &c., and this, without any increase of revenue worthy of notice.

In fact, the provinces have very few sources of revenue, and these have now practically, in so far as I can see, nearly reached high water mark, while, on the other hand, the revenue of the Dominion is increasing.

My object in writing you is to ask you whether or not you would be disposed to take joint action in that regard with the premiers of the other provinces. I am writing to them to the same effect. It is my opinion that if we could arrange in such a way as to agree on a joint meeting of the premiers, which could take place early in December next, in Quebec, for instance, if agreeable to you and other premiers, or in any other place convenient,—it would be very easy then to come to an understanding which could not fail to have the best results.

As the object of such a meeting should be the adoption of a joint resolution to be presented to the Dominion government, we might perhaps use, as a basis, the resolutions adopted by the Interprovincial Conference, in 1887, to the same effect.

These are the suggestions which I intended to submit to your consideration, and I would be much obliged to you if you would kindly advise me in that regard, at your earliest convenience.

Yours truly,

S. N. PARENT, Premier of Quebec.

In answer to the foregoing circular, the following provincial ministers were present at Government House, Quebec, at six o'clock p.m., on the 18th December, 1902:

QUEBEC.

Honourable S. N. Parent, Premier and Minister of Lands, Mines and Fisheries.

H. Archambeault, Attorney General.

66 A. Turgeon, Minister of Agriculture.

J. J. Guerin, Minister without portfolio.

H. T. Duffy, Provincial Treasurer.

Lomer Gouin, Minister of Colonization and Public Works.

A. Robitaille, Provincial Secretary.

NOVA SCOTIA.

Honourable G. N. Murray, Premier and Provincial Secretary. J. W. Longley, Attorney General. -

NEW BRUNSWICK.

Honourable L. J. Tweedie, Premier and Provincial Secretary. WM. Pugsley, Attorney General.

PRINCE EDWARD ISLAND.

Honourable Arthur Peters, Premier and Provincial Secretary. JOHN F. WHEAR, Minister without portfolio. 66

MANITOBA.

Honourable R. P. Roblin, Premier.

The Honourable G. W. Ross, Premier of Ontario, unable to be present on account of pressing engagements, transmits to Honourable Mr. Parent a memorandum containing his views on the questions to be discussed at this conference.

The Honourable Mr. Prior, who has replaced the Honourable Mr. Dunsmuir, as Premier of British Columbia, regrets being unable to be in Quebec for the date fixed

for the conference, but concurs with pleasure in its object.

The Honourable Mr. Parent moves that the Honourable Mr. Murray be selected as chairman of the conference.

It is moved in amendment by the Honourable Mr. Murray, seconded by the Honourable Mr. Roblin, that the Honourable Mr. Parent be appointed chairman. Adopted.

It is moved by the Honourable Mr. Parent, seconded by the Honourable Mr. Murray, that Gustave Grenier, clerk of the Executive Council, P.Q., be appointed secretary. Adopted.

The chairman read the following address:

Confidential.

Honourable Gentlemen,—It is with great pleasure that I welcome your presence in this capital and express to you my thanks and those of the government of which I have the honour to form part, for your having complied with the invitation to discuss some of the subjects in which we have a common interest.

The favourable manner with which all the provinces received the suggestion of taking into consideration the financial situation in which the constitution governing us has placed the local governments, and of consulting as to the means of improving it, indicates the widespread nature of the uneasiness existing on this subject in the minds of all public men entrusted with provincial affairs.

I regret that the premiers of two of the provinces have been unable to be present with us. One has been prevented by circumstances of the highest importance, and the other by distance from the place of our meeting. The views of the former will be submitted in a memorandum which has been transmitted to me, and which I will lay before you. Both gentlemen view with favour the object proposed to be realized by this conference.

I deem it my duty at once to declare that by this conference, no more than by the conference of 1887, the persons convening it do not intend to embarrass the Federal authorities; in inviting you we have only obeyed the sincere desire to bring about an opportunity of studying with you the best measures to be adopted to remove the financial difficulties under which we suffer, and which are due to the imperfections of the organic law which governs us. I have reason to believe that the government of Canada so considers it, and that every decision which we may adopt with a view of placing our finances on a more solid basis will receive from that government the most favourable attention.

The question of the amendments to be made to the Union Act is not now submitted for the first time to the attention of public men in this country. It has often, in this and other provinces, been the subject of discussion in the legislatures, of representations to the Federal government, and of debate in the parliament of Canada. It was especially at the time of the meeting of the distinguished men who formed part of the interprovincial conference held here in 1887 that it gave rise to most earnest debate, and that the claims of the provinces were most clearly formulated.

Some of the aspirations then expressed have since been realized. A number of reforms suggested at that time still remain to be effected. Among the latter, one of the most important is undoubtedly that referring to the readjustment of the Federal subsidy, and, subject to the suggestions which you may deem expedient to make, it is

that which I submit to your consideration.

I will further invite you to study the question as to whether it would be expedient to make representations to the government of Canada upon the legislation which has been suggested to it respecting matters which concern the revenue of the province. The exportation of pulp-wood, upon which it has been asked to impose a heavy export—in fact a prohibitive—duty, gives to this question a great importance, seeing that in some of the provinces the cutting of this wood already produces a large revenue and one that bids fair to become from year to year much greater.

Four of the provinces have applied to the government of Canada for a part of the indemnity paid on account of the fisheries by the United States in pursuance of the

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ward of the Halifax Commission. The fact that the Federal authorities have now under consideration the merits of this claim, since we fully exposed our views to them, in June last, will not perhaps allow of our making further representations in the matter at this time.

I will now place before you the chief reasons in support of the demand for the readjustment of the Federal subsidy, and, in so doing, I will confine myself to those which more particularly concern the province of Quebec, assured as I am that the representatives of each province will make known those which are special to them.

Under article 118 of the British North America Act, 1867, the province receives subsidies of two kinds: first a specific sum of \$70,000, and, secondly, eighty cents per

head of the population of 1,111,566, established by the census of 1861.

The subsidy of eighty cents per head was granted to the provinces in consideration of the abandonment made by them of their customs and excise duties. By article 64 of the Quebec resolutions the provinces transferred to the general parliament their powers of taxation, for an annual grant equal to 80 cents per head of its population. Article 43 of these resolutions reserved to the provincial legislatures the right of direct taxation, and what was really transferred by article 64 comprised only indirect taxation. As all indirect taxes are either customs or excise duties, it follows that the annual grant of eighty cents per head was in consideration of the abandonment to the central government of the customs and excise duties theretofore collected by the provinces. The distribution of taxing powers established by the Union Act gives effect to the provisions of these resolutions.

The subsidy per head amounts to \$889,252.80 for Quebec. During the first year of Confederation the revenues from customs and excise amounted to \$11,580,968.25. For the year 1900 these two sources of revenue produced \$38,245,223. Hence it follows that the province of Quebec which, for the first year of the present system, received a subsidy equal to about seven and three-quarters per cent of the customs and excise duties collected by Ottawa, received for the year 1900 only a percentage of

about two and one-third per cent of these revenues.

The specific subsidy was granted to us to meet the expenses of government and of the legislature, but it is far from attaining that end now, for in the year 1900 these services occasioned a total expenditure of \$503,903.51; it was even insufficient to meet them in the year 1868, during which it was necessary to spend the sum of \$213,232.51.

In deduction of these subsidies, between the 1st July, 1867, and the 1st January, 1873, the province of Quebec was charged, each six months, with its proportion of the half-year's interest on the amount by which the debt of the late province of Canada exceeded, at the end of the previous six months, \$62,500,000. (Section 112 B.N.A.

Act.), which interest forms an aggregate amount of \$1,327,507.02.

By the Act of the Dominion (1873), 36 Vic., chap. 30, the fixed amount of the debt of the late province of Canada, assumed by the Dominion, was increased from \$62,500,000 to \$73,006,088.84, and the provinces of Ontario and Quebec were conjointly liable for interest on such amount as the debt of the late province of Canada should be in excess of this latter amount; the amounts of the debts of the other provinces, assumed by the Dominion, being increased in proportion, and their subsidies increased in the same proportion.

From the 1st January, 1873, to the present time, the full amount of the annual subsidy, as fixed by the B.N.A. Act, section 118, viz.: \$959,252.80, has been paid, with-

out deduction.

By the Act of the Dominion (1884) 47 Vic., chap. 4, the subsidies of the provinces of Ontario and Quebec conjointly, were increased by the sum of \$269,875.16, the increase to the subsidy of the province of Quebec being \$127,460.68, which amount has been paid by the Dominion from the 1st July, 1884, to the present time; the subsidies to the other provinces of the Dominion being increased at the same time in proportion to their respective populations, according to the census of 1881.

The amount of subsidies, therefore, received by the province of Quebec, since Con-

federation, has been as follows:-

From 1st January, 1873, to the 1st July, 1884, an annual subsidy of \$959,252.80, without deduction.

From 1st July, 1884, to the present time, an annual subsidy of \$1,086,713.48, without deduction.

No mention is made in the foregoing of the annual interest on the subsidy granted by the Dominion Act of 1884 (47 Vic., chap. 8), to the province of Quebec, in consideration of their having constructed the railway from Quebec to Ottawa, amounting to \$119,700 per annum, paid by the Dominion to the province of Quebec, as this subsidy has nothing to do with the subsidies to the provinces of the Dominion, under the B.N.A. Act and the Acts readjusting the same, but is one of a number of subsidies granted by the Dominion to different railways under the said Act of the Dominion, 47 Vic., chap. 8.

The expenses for the services, other than those for government and legislation above referred to, which have to be provided for by the province in the administration of public affairs, show a yearly and constant increase.

Further, the development of the province has occasioned new expenditure.

The following comparative table shows at a glance the increase:-

Comparative statement of the expenditure of the province of Quebec for the fiscal years 1867-1868 and 1900-1901.

	1007 60		1000 01	
	1867-68.		1900-01.	
	\$	cts.	\$	cts
	104.000	45	979 207	49
Civil Government.	104,096		278,307	
Administration of Justice	300,442		618,296 $60,000$	
Reformatories				
Legislation	109,144		235,596	
Education, &c.	275,605		465,589	
Asylums, Hospitals and Charities.	125,256		397,895	
Crown Lands, Public Works, Agriculture and Colonization	226,678		678,806	
Licenses, &c			72,769	
Public debt			1,617,344	
Inspection of industrial establishments			12,000	
Quebec Official Gazette			13,000	
Provincial Board of Health				
Pensions: Civil Service, &c			45,321	
Municipalities' fund			180	
Property sold	*******		286	
Railways			123,310	
undry payments			71,592	83
	1,183,238	44	4,707,932	24

The larger part of this increase is due to various causes, which, notwithstanding all the care given to the management of public affairs, it has been impossible to control.

It is to be attributed in the first place to the increase in population. In 1868 the population was 1,111,566 souls, while in 1901 the figure was 1,620,974 souls. This increase in the population is inevitably a source of expenditure to the provincial gov-

ernment, and, although it is incumbent upon it to neglect no means of attracting to the province and keeping therein a large population, it is unfortunately true that the accomplishment of this duty occasions a constant diminution in its pecuniary resources.

This increase in the population is directly responsible for the additional cost for the administration of justice, the maintenance of the educational system, the support of prisons and asylums and the assistance given to educational and charitable institutions, &c.

As respects the administration of criminal justice, there is another reason for the increase in the expenditure. It is Federal legislation which, on more than one occasion, has imposed upon the province the payment of expenses over which the latter has had no control.

The following table establishes these ever increasing expenses:—

1868			 	 	 	\$223,732 95		
1878			 	 	 	350,382 96		
Increase			 	 	 			\$126,650 01
1878			 	 	 	\$350,382 96		
						433,839 03		
Increase		4. 4	 	 	 			83,456 07
1888			 	 	 	\$433,839 03		
1898			 	 	 	451,950 14		
Increase			 	 	 			18,111 11
							-	
Total incre	ease		 4 4	 	 			\$228,217 19

On the other hand, the revenue of the Federal government from \$13,687,928, which it was in 1868, increased to \$51,029,994 in 1900. From the figures above given, it will be seen that the customs and excise duties form a large portion of the revenues paid in to the treasury of Canada in consequence of their surrender by the provinces.

For these reasons, I submit that in demanding from the Federal authorities an

increase in the subsidy per capita we are asking for a simple act of justice.

Paragraph 5 of the 17th resolution adopted by the Interprovincial Conference of 1887, and approved by the legislatures of the provinces represented thereat, formulates in the following manner the basis upon which both the specific and per capita subsidies might be calculated:

- 'That this conference is of opinion that a basis for a final and unalterable settlement of the amounts to be yearly paid by the Dominion to the several provinces for their local purposes and the support of their governments and legislatures, may be found in the proposal following, that is to say:
- (A) Instead of the amounts now paid, the sums hereafter payable yearly by Canada to the several provinces for the support of their governments and legislatures, to be according to population and as follows:
 - (a) Where the population is under 150,000, \$100,000.
 - (b) Where the population is 150,000, but does not exceed 200,000, \$150,000.
 - (c) Where the population is 200,000, but does not exceed 400,000, \$180,000.
 - (d) Where the population is 400,000, but does not exceed 800,000, \$190,000.
 - (e) Where the population is 800,000, but does not exceed 1,500,000, \$220,000.
 - (f) Where the population exceeds 1,500,000, \$240,000.
- (B) Instead of an annual grant per head of the population now allowed, the annual payment hereafter to be at the same rate of eighty cents per head, but on the population of each province as ascertained from time to time by the last decennial census, until such population exceeds 2,500,000; and at the rate of sixty cents per head for so much of said population as may exceed 2,500,000;

- (C) The population as ascertained by the last decennial census, to govern except as to British Columbia and Manitoba; and as to these two provinces, the population to be taken to be that upon which, under the respective statutes in that behalf, the annual payments now made to them respectively by the Dominion are fixed, until the actual population is by the census ascertained to be greater; and thereafter the actual population so ascertained to govern;
- (D) The amount so to be paid and granted yearly by the Dominion to the provinces respectively to be declared by Imperial enactment to be final and absolute, and not within the power of the Federal parliament to alter, add to or vary;'

For our part we adhere to that resolution, and I place it before you as the proposition of our province upon this matter, with the reserve, however, that we suggest that the rate per head be fixed at one dollar and not at eighty cents.

We believe we are justified in asking that the rate per head be fixed at one dollar so as to be able to meet the expenses of the administration of criminal justice, re-

specting which a distinct claim was made at the conference of 1887.

In the majority of the provinces, it has become impossible by taxation to cover the increased expenditure, and it appears to us, that the only method of meeting all the public requirements is to have the views above expressed accepted by the Federal government.

If our demand is favourably entertained, the province of Quebec will receive for the specific subsidy a sum of \$240,000, and for the subsidy per capita, at the increased rate and with the population as fixed by the census of 1901, a sum of \$1,620,974. This would mean an increase of \$170,000 on the specific subsidy, and of \$731,722 on the other, or a total increase of \$901,722. The other provinces would have corresponding increases.

With the additional sums so placed at the disposal of the province we could encourage education, agriculture and colonization, aid in the development of our natural resources and nascent industries; furnish, by practical instruction, the generations to come, with the means of engaging in the economical struggles of the future, and supervise with a more jealous care the observance of the laws which insure the security of persons and property.

This expenditure would directly benefit the government of Canada, which would be more than repaid the sums handed over to us by additional customs and excise duties paid into the public treasury by the increased population attracted to the

country.

In this manner our deliberations will result in assuring greater security and prosperity and in consolidating to a greater degree the confederation of the provinces.

May they also draw closer the bonds which unite them, and, if possible, enhance the warmth of the feelings of peace, benevolence and concord which characterizes the relations between the governments presiding over their destines.

The chairman then laid before the conference the following memorandum from the Hon. Mr. Ross, premier of Ontario:—

Confidential.

MEMORANDUM RESPECTING THE FINANCIAL BASIS OF THE PRO-VINCES UNDER THE BRITISH NORTH AMERICA ACT.

In considering a revision of the financial basis of the union of the provinces, we propose, for the sake of convenience, first to consider the terms of union as they apply to the four provinces of Ontario, Quebec, Nova Scotia and New Brunswick, and to compare, very briefly, their position and their wants in 1867 with their position and wants at the present time.

In arranging the terms of Confederation, the Union Act provided for the maintenance of the governments of the four provinces named by a specific subsidy of 80 cents per head, based on the population of 1861, with a grant in the aggregate of \$260,000 for civil government and legislation—the provinces to raise such additional revenue from Crown lands, tavern licenses and other minor sources as they may deem necessary by direct taxation.

That the Fathers of Confederation had a very inadequate conception of the demands which thirty-five years of development would make upon the provinces is quite evident from the speeches delivered while the Quebec resolutions were before the

legislative assembly of Canada.

Sir A. T. Galt, referring to the revenue necessities of the provinces, said (Confederation Debates, page 69): 'The local revenue of Upper Canada, during the last four years, has averaged the sum of \$739,000, and that of Lower Canada, \$557,239; together they amount to nearly \$1,300,000, independent of the 80 cents per head which it is proposed to allow the local governments out of the general exchequer for the purpose of meeting their local expenditures. These local expenditures include such items as the administration of justice, the support of education, grants to literary and scientific societies, hospitals and charities, and such other matters as cannot be regarded as devolving upon the general government. The whole charge, exclusive of the expenses of the local government and legislation, on an average of the last four years, has in Lower Canada amounted to \$997,000, and in Upper Canada to \$1,024,622 per annum. In addition to these sums will now have to be added such amounts as may be required to meet the cost of the civil government of the country and of legislation for local purposes. It may be difficult to form any reliable estimate of the sums required for this purpose, but when the House considers that, according to the statements given of the expenditure during the last four years, there will be available in the whole province of Canada the sum of no less than \$1,043,015, it must, I think, be admitted that if those charged with the administration of local affairs in Upper and Lower Canada exceed this amount, they will be guilty of a degree of profligacy and extravagance for which a speedy remedy will be found by the people.'

From the previous quotation it will be seen that Sir A. T. Galt assumed that, excluding the expenses of local government and legislation, Upper and Lower Canada (now Ontario and Quebec) would have a surplus of one million dollars a year over the annual expenditure on administration of justice, education, hospitals and charities, and agriculture, &c. Whether wisely or not, the people of these two provinces have disregarded the economical basis laid down by Mr. Galt, and on these items alone the expenditure for 1901, instead of being \$1,300,000, for the two provinces, as fixed by Mr. Galt, has reached the sum of \$2,433,539.71 in the case of Ontario alone, and in

the case of that of Quebec the sum of \$

The Hon. George Brown (page 94, Confederation Debates), reviewing the subsidies of the province, said: 'I am persuaded, Mr. Speaker, that the House will feel with me that we in Canada (by that meaning Upper and Lower Canada) have very

little to complain of in regard to the subsidies for local government.'

Without waiting to discuss whether, at the time of the Union, the provision made for the provinces was not generous, (having regard to available revenue and the wealth of the country) it is quite clear that this provision was made without adequately anticipating the growth of population and the urgent demand which modern conditions imposed upon the provinces in the way of education, hospitals and charities, the administration of justice and other expenditures of a local and necessary character. The small household with its moderate wants, on the basis of 1861, is very different to the larger household of 1901 with its many wants, and the proposition now for consideration is, should not the terms of the Union Act be amended so that automatically the subsidies from the Dominion would bear the same relation to the wants of the population at each decennial census as presumably they bore at the time they were first settled.

A brief comparison of the expenses of the provinces in 1861 and 1901 will make this clear. The following table shows the expenditure of the four provinces on four of the largest items of expenditure in 1861 and in 1901:—

Thomas	Ont	ario.	Quebec.		Nova Scotia.		New Brunswick	
Items.	1861.	1901.	1861.	1901.	1861.	1901.	1861.	1901.
Education Administration of Justice Asylums, Hospitals and Charities Agriculture	\$ 247,192 171,926 146,691 56,211	\$ 782,193 416,042 1,025,444 209,858		\$	\$	\$	\$	\$
	622,020	2,433,537						

It is unnecessary to make a prolonged argument to show that in regard to these four items what would be a reasonable expenditure in 1861 would be far from satisfactory in 1901, having regard to the increased population and the natural growth of expenses in the administration of public affairs. Education being more progressive is necessarily more expensive. Teachers require larger salaries; competition requires that the arts and manufactures be considered in the light of modern science; the conditions of agriculture require greater knowledge and skill; asylums and hospitals are demanded by motives of humanity as well as economy; and there is no avoiding the increased expenditure, unless we are content to allow the province to lapse into indifference to the modern spirit of enterprise and development.

It may be said, however, that the provinces have their own sources of revenue, independent of subsidies from the central government, and to these they should apply for the moneys necessary for the comfort of their people and the effective development of their resources. But, as a matter of fact, the provinces do tax themselves, and very liberally too, for local purposes, in addition to the subsidies, as the following statement for the year 1901 shows:—

	Ontario.	Quebec.	Nova Scotia.	New Brunswick.
Total revenue	\$ 4,466,043 1,339,287 3,126,756			

That the provinces were not expected to contribute more than a reasonable portion from local sources for their own wants is further apparent by the following considerations:—

(1) In determining the subsidies which the Central government could afford to pay, the available revenue of the Central government had to be considered. This in 1867-8 was \$13,486,091, of which \$11,570,968 was derived from customs and excise. The amount paid in subsidies the first year of the union was \$2,753,966, or about 24 per cent of the income of the Central government from customs and excise. Now in 1901 the gross revenue of the Dominion reached the large sum of \$52,514,701, of which \$38,743,550 was derived from customs and excise, of which the sum of only \$4,250,607

was paid to the seven provinces of the Dominion, or about 11 per cent of the income from customs and excise. How much of that revenue came exclusively from the four original provinces it is impossible accurately to determine, but the fact remains that the seven provinces proportionately receive only about half the sum from the Dominion compared with the first four provinces that entered into Confederation. Indeed, if the revenue of the Dominion was to be the basis of financial aid to the provinces, and the proportions agreed upon in the B.N.A. Act were now continued, the provinces would be in receipt of double the amount now paid by the Dominion. It is true that there is no compact that the subsidies should increase according to the revenues of the Central government, although such a basis would be eminently fair, inasmuch as the moneys (customs and excise) from which the subsidy is paid by way of refund for maintenance of local governments, is collected from the people of the provinces, and, indeed, in some respects such a basis for the payment of subsidies would be fairer than payment on the basis of population, as being a refund in proportion to the amount collected.

(2) The present basis ignores the fact that, while the increase of population lightens the burdens of the Dominion inasmuch as it multiplies the contributors to the revenue from customs and excise, the increase of population adds to the burdens of the provinces without any corresponding contribution towards their maintenance. For instance, the provinces, through the Central government, are taxed for maintaining the Department of Emigration. This department justifies its existence by increasing population from foreign parts, and the government is recouped for this expenditure through the Customs and Excise Departments. The province, however, that has to provide for the education of these emigrants, for the administration of justice so far as they are concerned, and for the maintenance of their indigent or insane, has no means of recouping itself because of this increased expenditure imposed on it through the Dominion, except at its own expense. Surely this circumstance must have been overlooked or the subsidies would not have been rigidly based on a fixed population as has been the case.

Moreover, in its laudable efforts to develop and strengthen the influence of Canada, the Central government has imposed many charges upon the people for public works, the purchase and opening up of the North-west Territories, the deepening of our canals, the construction of the Intercolonial and Pacific Railways, &c. The effect of this expenditure, we are glad to notice, in the last thirty-five years, has been largely to increase the population of Canada, but while the Dominion government holds in its own hands the power to meet the wants of this natural increase (although that increase is provincial in its character), the provinces, so far as their administration of the responsibilities devolving upon them by the Act, receive no benefit whatever, but rather lose from this increase, as the charges by the Dominion government, which the people of the province have to meet in order to carry on these large undertakings increase the difficulties of the provincial governments in meeting the charges which this increased population imposes upon them under the constitution.

The provinces are in this way subjected to a double charge: (1) To find the means through increased customs and excise charges for public works undertaken by the Dominion, and (2) to provide for the maintenance of the population which naturally follows in their wake.

The undersigned are therefore of the opinion that the B.N.A. Act should be amended so as to provide:

- (1) That the provinces should receive an annual subsidy of eighty cents per head on the population of each province as ascertained from time to time by the last decennial census.
- (2) That in the case of provinces with a population less than one million, an annual allowance of \$200,000 should be made in addition to the subsidy in the preceding paragraph mentioned, for the maintenance of civil government and legislation,

and, in the case of provinces with a population of one million or over, an annual allowance of \$300,000, for similar purposes.

(3) That the said sums be paid in half-yearly payments as at present.

It is then resolved that a committee composed of the Honourable Mr. Parent, chairman, and the Honourable Messrs. Archambeault, Pugsley, Longley and Peters, be appointed to prepare a resolution concerning the readjustment of the Federal subsidy to the provinces, and the cost of the administration of justice in criminal matters.

The committee submit the following resolutions, which are unanimously adopted:

Whereas, at the time of the passing of the British North America Act, 1867, and the subsequent enactments affecting the same, it was impossible to foresee the development of the Dominion and to fix in a definite and unalterable way the distribution of the revenue so as to make sufficient provision for the Central government and to furnish the various provinces with the means adequate to carry on their local affairs;

Whereas, it was the evident intention of the framers of the Union Act, as expressed in the Quebec resolutions of 1864, and in the debates at the conference at which they were adopted, to make adequate financial provision for carrying on the affairs of the Central government and those of the various provinces;

Whereas the financial resources of several of the provinces, as determined by the various provisions of the Union Act and of the other statutes governing the matter, are no longer sufficient to meet the expenditure necessary to carry on the public affairs of the provinces, and to promote in an efficient manner their development and progress;

Whereas, under the various statutes now governing the financial arrangements between the several provinces and the Dominion, a specific subsidy is payable to each province as follows:

Ontario	\$80,000 00
Quebec	
Nova Scotia	
New Brunswick	
Manitoba	
British Columbia	
Prince Edward Island	

Whereas, this subsidy was granted to the provinces for the maintenance of their governments and legislatures, but is entirely inadequate for the said purposes, and in order to attain the ends for which it was granted, it would be necessary to increase it and apportion it as hereinafter provided;

Whereas, in addition to the specific subsidy above referred to the various provinces are allowed by the Union Act and by subsequent enactments, an annual grant of eighty cents per head of their population as established for the provinces of Ontario and Quebec by the census of 1861, and for the provinces of Nova Scotia, New Brunswick, Manitoba, British Columbia and Prince Edward Island, by the last decennial census;

Whereas this subsidy was granted to the provinces in consideration of the transfer

to the central government of their customs and excise duties;

Whereas the revenue of the Federal government was in 1868 \$13,687,928, of which the sum of \$11,580,968.25 was from customs and excise duties, and the revenue in 1900 was \$51,029,994, of which the sum of \$38,245,223 was from customs and excise duties;

Whereas the population of the two provinces for which the basis of the calculation of the per capita subsidy is the census of 1861 has increased as follows:—

Provinces.		Census of 1901.	Increase.
Ontario	1,396,091	2,182,947	786,856
	1,111,566	1,648,898	537,332

Whereas this increase of population has imposed upon the said provinces heavier burdens in order to meet the increased cost of administration of justice, legislation, education, maintenance of prisons and asylums, agriculture, public works, charities, &c., and the other urgent demands which modern conditions impose upon them;

Whereas no corresponding increase of subsidy has been granted, notwithstanding the additions to the revenue of the Federal government;

Whereas it is but fair that, in order to place the provinces in a position to meet such increased expenditure, the annual per capita subsidy should be calculated according to the population of the several provinces ascertained by the preceding decennial census, and that upon this basis, the subsidies to be granted would be as follows:—

Provinces.	Pop. census 1861.	Actual Pop. census subsidy. 1901.		Subsidy.	Increase.
Ontario. Quebec Nova Scotia New Brunswick. Manitoba British Columbia. Prince Edward Island. Total	1,111,566	$320,000 \ 00$ $257,010 \ 40$ $122,004 \ 80$ $78,538 \ 40$ $87,262 \ 40$	1,648,898 $459,574$ $331,120$ $254,947$ $175,657$ $103,259$	203,957 60 140,525 60 82,607 20	429,865 60 47,659 20 7,885 60 81,952 80 61,987 20

Whereas several of the provinces are not in a position to provide by taxation or otherwise for the additional expenditure required, and were not expected to contribute for local purposes more than a certain portion of such expenditure;

And whereas the additional subsidy to be paid by the government of Canada would be more than reimbursed to them by the additional customs and excise duties collected for the Dominion treasury from the increased population attracted to the country;

Be it therefore

Resolved, 1. That this conference is of opinion that an equitable basis for a settlement of the amounts to be yearly paid by the Dominion to the several provinces for the support of their governments and legislatures, and in lieu of the allowance of 80 cents per head heretofore paid, may be found in the proposal following, that is to say:

- (A.) Instead of the amounts now paid, the sums hereafter payable yearly by Canada to the several provinces for the support of their governments and legislatures to be as follows:—
 - (a) Where the population is under 150,000, \$100,000.
 - (b) Where the population is 150,000, but does not exceed 200,000, \$150,000.
 - (c) Where the population is 200,000, but does not exceed 400,000, \$180,000.
 - (d) Where the population is 400,000, but does not exceed 800,000, \$190,000.
 - (e) Where the population is 800,000, but does not exceed 1,500,000, \$220,000.
 - (*t*) Where the population exceeds 1,500,000, \$240,000.

- (B) Instead of an annual grant per head of the population now allowed, the annual payment hereafter to be at the same rate of 80 cents per head, but on the population of each province as ascertained from time to time by the last decennial census, until such population exceed 2,500,000 and at the rate of 60 cents per head for so much of said population as may exceed 2,500,000.
- (C) The population as ascertained by the last decennial census to govern, except as to British Columbia and Manitoba and, as to these two provinces, the population to be taken to be that upon which, under the respective statutes in that behalf, the annual payments now made to them respectively by the Dominion are fixed until the annual population is by the census ascertained to be greater and thereafter the actual population so ascertained to govern.
- (D) The amounts so to be paid and granted by the Dominion to the provinces half-yearly and in advance.

Resolved, 2. That the premiers of the various provinces and such other ministers as may be appointed by the respective governments, be a committee to submit the foregoing resolutions to the government of the Dominion.

Whereas, in the opinion of this conference it is considered just that the expense of administering the criminal law of Canada should be borne by the Federal government-Therefore it is

Resolved,—That in addition to the foregoing resolution, the Dominion government be requested to consider the matter of the cost of administration of criminal justice conjointly with other matters submitted, and in addition to the amounts that may be allowed to the provinces under the claims above set forth, to award to each an amount for that purpose commensurate with the expenditure necessary to be made in that regard.

This conference further recommends that any apportionment of such amount should be based upon the population of each province as determined by each decennial census and should not exceed twenty cents per capitum.

That the chairman be requested to arrange for an appointment with the Dominion government for the purpose of presenting to them the resolutions of the conference.

HORACE ARCHAMBEAULT,
ADÉLARD TURGEON,
H. THOS. DUFFY,
LOMER GOUIN.
AMD. ROBITAILLE,
G. H. MURRAY,

Gustave Grenier, Secretary. S. N. Parent,
Chairman.
L. J. Tweedie,
P. B. Roblin,
Arthur Peters,
J. W. Longley,
William Pugsley,
John F. Whear.

The following letter was received by the chairman from the Hon. Mr. Prior, Premier of British Columbia, on receipt of a copy of the foregoing resolutions:—

Premier's Office, Victoria, January 3, 1903.

Hon. S. N. Parent,
Premier, Quebec.

DEAR MR. PARENT.—I have received your letter of the 24th instant, accompanied by a copy of the resolutions passed at the recent convention of the provincial premiers.

I am very much indebted to you for your courtesy in this matter, as I was anxious to obtain some idea of the proceedings before I started for Ottawa, which I propose to do about the 10th of this month.

As explained briefly in my telegram, it was impracticable for me to take advantage of the invitation to attend the conference in question. I only received your message notifying me of the date of the meeting the afternoon of the day upon which it would have been necessary for me to have started in order to reach Quebec in time. We had two by-elections on, and several of my colleagues were absent at the time. You see, therefore, how very difficult it would have been, under the circumstances, for me to have been present. In addition to that, we have already practically arranged to meet the Ottawa government early in January, which would have necessitated two trips east or a very long stay there. Distance from the seat of government is always one of our great troubles here in dealing with the central authorities.

I have read with a great deal of interest the resolutions passed at your meeting, and it would have afforded me a great deal of pleasure to have been there to have taken part in your deliberations. It would also have afforded me a desirable opportunity of personally explaining the peculiar position in which this province, under the terms of confederation, is placed in relation to the Dominion, and to some extent, the other provinces. We have a set of conditions to deal with here, which only long familiarity with the province itself would enable you to fully understand. For this reason. I would have been able to personally demonstrate the nature and reasonableness of our claims for better terms, more strictly speaking, fairer terms. For this, also, I was pleased to see the action that was taken. I fully realize that without the co-operation and good-will of the other provinces, it would be very difficult to impress apon the Dominion authorities the justice of what we seek. The resolutions are very much on the lines of our main contention, and, therefore, I have received great encouragement from the able presentment unanimously adopted by the conference concerning the necessity for a readjustment of financial relations. While they coincide with our views at this end and greatly strengthen our case, they do not, so far as we are concerned, go far enough to meet the special requirements of British Columbia, and I am going to take this opportunity of presenting the salient features of our contention, for your consideration, and that of the other premiers. To avoid the necessity of going into minute details. I am sending you a copy of the correspondence submitted to our legislative assembly as the report of the delegation which went to Ottawa in 1901. This deals with one or two matters of general interest to you, but dwells mainly on the inadequate returns received from the Dominion for the revenues contributed to Ottawa by the province. We intend, during the proposed convention, to supplement the arguments therein presented with others, which relate to the special physical characteristics of the province, whereby the sources of revenue provided under the terms of confederation are shown to be wholly insufficient to meet the requirements involved in the efficient maintenance of civil government and the development of our resources. If this can be shown absolutely beyond contradiction, as it can be simple justice demands ample recognition of our grievances. Naturally, in seeking special consideration, we anticipate objections on the part of the other provinces, but if we can show that by the very nature of the relations which exist among the different parts of Canada in the way of interprovincial trade and commerce, such recognition of just claims, based on facts and reasonable considerations of public policy, will enure beneficially and equally to all other parts, we expect, not opposition, but co-operation on their part.

To illustrate quite clearly what I am endeavouring to show, I will take two or three instances from practical experience in our country's affairs. Permit me to cite one or two chapters in our political history. When in compliance with the terms of the contract with British Columbia, it was proposed to build the Canadian Pacific Railway and open up the North-west, there was, as you know, great opposition in eastern Canada, and in some respects very reasonable opposition too, on the ground

that the credit of the east was being staked for the benefit of the west, and that the older provinces would be bankrupted by the attempt. I am free to confess that at that time the people of British Columbia thought they had made a very good bargain indeed, a bargain which almost produced a crisis in Dominion affairs. However, Canada very wisely, as it turned out, staked its credit and its resources on the venture, and the Canadian Pacific Railway was built. That act made Canada the country it is to-day, and British Columbia alone, from a purely bookkeeping aspect, not taking into account the immeasurable results from a commercial and industrial point of view, has paid back, over and above all expenditures, to the Dominion the whole cash outlay on account of that railway. Moreover, British Columbia and the Northwest have provided a market for the east that has proved to be a mine of wealth, and there have followed as a direct consequence, also, the trans-Pacific steamship lines and Pacific cable, and possibilities of future trade that were at first not even dreamed of.

Again, the building of the Crow's Nest Railway was the direct outcome of the demand of eastern merchants and manufacturers for more direct communication with the mining markets of the southern interior, the results of which have clearly demonstrated the wisdom of the enterprise. It has also incidentally provided facilities for smelters and the supply of coke, which has been of immense advantage to Canada, and without which the development of the mining industry since that time would not have been possible.

What is a very pertinent illustration of the force of our contention is that at the present time and for some time past, Canada has been paying immense sums out of the general revenue and from its land resources to open up and populate the Northwest, which to a very considerable extent is drawing from the population of the older provinces as well. No one objects to that, although the expenditure is almost wholly local in its application. Why? Because population and development in the Northwest mean that the whole of Canada will be repaid many times in revenue and in the additional outlet for its commerce and its manufactures what that development has cost. The fact that the unalienated territory is part of the domain of Canada does not alter the argument in the least, because if similar results will follow in any of the provinces by following a similar policy of development similar reasons should prevail for adopting such a course.

Therefore, if we can show you that beyond a shadow of doubt the granting of our claims is in harmony with your interests there is only one conclusion to be arrived at, and that is, that it is in your interests not only not to oppose but to assist us in every way possible. Every enterprise that has been undertaken in the west, from the building of the Canadian Pacific Railway to the opening up of the Yukon, has been followed by an immediate and direct jump in revenues and an augmentation of the trade and industry of the Dominion. Take the tables in the Report of the Delegation 'sent you and you would from them alone be able to note the commencement and progress of these enterprises. It is the people of the east who at every stage benefit by the growth of the west. By affording your merchants and manufacturers a safe and remunerative market for your surpluses, which in turn has given employment to your population, and afforded a market for your farm produce at home, we have made Canada prosperous. We pay a very considerable part of the duty incidental to the protection which ensures you this market, and we pay a freight bill many times greater than does the eastern consumer. On the other hand, we can prove to you that in British Columbia, by reason of the physical characteristics of our country, the cost of administration is several times greater than in any other province, and that every settler we get costs more to us than his value as a local revenue producer, so that the responsibility increases proportionately, and I was going to say, inordinately, with the population. We have a province of 265,000,000 acres in extent, with about 6,000,000 acres of habitable area; the cost of schooling, policing and judicial administration, roading, bridging, the maintenance of hospitals and all the rest of it in set-

tlements widely separated, with great physical barriers between, is quite out of proportion to the revenues which can fairly, and without proving burdensome, be made returnable. On the other hand, such settlers, without responsibility and comparatively little cost to the Dominion, contribute still more largely to the federal coffers. You will see that our customs and inland revenue represent a per capita contribution of \$16.50 to the Dominion, including every man, woman, child, Indian, Chinaman and Japanese in the province—or about three times the average contribution of the whole of the Dominion. We can show you by accurate official statistics that the taxation of each of such individuals—for Dominion, provincial and municipal—in the province, is about \$30 per head, which is mainly borne by an adult white population of 45,000, and which is not less than \$100 per head per annum. It is true that the province is rich in natural wealth, and if it were not thus rich it would long ago have failed in carrying on responsible self-government, or at least in development to any, except the most limited, extent. With an adequate allowance from the Dominion to carry on what is necessary to render our great natural wealth available without burdensome imposts on the people who must carry on this work, the area of development would so increase and the prosperity of the country would be so enhanced that the direct returns to the Dominion would many times repay them. This is practically your contention in the resolutions you have submitted for the consideration of the Dominion government, only in our case, being a new country and affording the greater opportunities for a relopment, the contention is more forcible and more particularly applicable. You point out, and that truly, that provinces are doing the work of development from which in results the Dominion reaps the larger benefits. As the consequence of prosperity arising out of provincial development the revenues and surpluses of the Dominion are yearly growing larger, while the main sources of revenue upon which the previnces have had to depend—such as public lands and timber—are diminishing by reason of depletion.

You must remember that when we entered confederation we had less than 10,000 of a white population. Apart from the old Yale, Westminster and Cariboo road leading into Cariboo—then far past the zenith of its prosperity—a trail leading into and through the southern interior, known as the Dewdney trail, and a few roads in the southern part of Vancouver Island, the country-380,000 square miles in extentwas absolutely without land communication of any kind. Lode mining was consequently out of the question, and placer mining, carried on only by the primitive methods then in vogue, was on the decline. There was, apart from a very limited local consumption, no market for coal except in San Francisco. There was absolutely no fishery industry and no market for the fish so abundant in our seas. When salmon canning was subsequently inaugurated the market was in far-off England reached by sailing vessels. The only demand for our lumber—saving limited local consumption —was in foreign markets, in which we were handicapped by distance and the lack of carrying facilities. That market has increased little, if any, up to the present day. Our lands were limited in extent and much harder to clear and make available for cultivation than farming lands in eastern Canada. Every mile of road or railway cost three times what it did in the east. Labour was scarce and dear and the cost of living far higher than in older settled communities. The source of supply of necessaries of life was in San Francisco, eastern Canada and in England, with heavy freight bills to add to their cost, and under altered conditions is still largely in Canada. In fact, up to the present, these conditions exist still, though in a much modified way. The point is that we buy but cannot sell in the eastern markets. Our future must depend upon the exploitation of our natural sources of wealth-mining, lumbering, fishing and farming and the possibilities of trade which the favourable position on the western seaboard affords. Our industries must depend largely for all the machinery employed upon the east. Our merchants buy their supplies mainly from your wholesale traders. And in no way, except in the North-west, do we enter into competition, and that only in natural products, with what the east has to sell. For our

products we must compete in the markets of the world with other countries in which conditions of labour are much easier. Every settler in British Columbia, for whose comfort, convenience and safety we must provide, is an additional customer for your merclants and manufacturers and an additional contributor to the general revenues of the Dominion. The vast interior of this country, still untouched, can only be opened up by the building of railways and vast expense in building roads and in administration when opened up. Our extreme western position and distance from eastern centres involve an important additional impost in the way of freights as compared with carrying rates in eastern Canada. While all this is true, while our responsibilities are, comparatively speaking, so much heavier, and our handicaps so much greater, we are limited, under the terms of confederation, to exactly the same sources of Iceal revenue for local purposes as are all the other provinces. A natural answer to this, and, on the face of it, a reasonable answer, is that the province has greater undeveloped resources to draw from to produce revenue than the other provinces, and that, by diverting a greater share of the proceeds in the way of taxation to the treasury, the revenues would be increased. There are three such resources, and I will deal with them in order—fisheries, timber and minerals. As to the first, all revenues in the way of licenses in the past have gone to the Dominion, who claimed exclusive jurisdiction. This is, as you know, a question at issue at the present time, and constitutes one of our claims against the Dominion. As to timber, there are stumpage fees and royalties per thousand feet, &c. So keen, however, was the competition for local business and so small a margin of profit was there in foreign business that our lumbermen have found it often difficult to pay these imposts. For a time the province allowed a rebate on foreign shipments of 25 cents per thousand. As a matter of fact, our mill men have not made money for a number of years, and an additional impost would have put them out of business. They are handicapped as it is by discrimination in freight as between British Columbia and Puget Sound ports, as shown in the 'Report of the Delegation' to Ottawa in 1901. In mining we receive a large revenue for miners' licenses, record fees and the like. In addition, the province imposed a two per cent tax on output on ore, on freight and treatment. This latter has constituted the greatest grievance on the part of the mining community, and is a burning issue to-day. Owing to the low price of lead, silver, and the low grade of our immense bodies of copper ores, and in the price of copper, there has been a recent big drep; even with the best and most modern facilities for smelting which we possess the margin of profit is small. So much so is this the case that the government has decided to readjust the incidence of taxation on mines, and may possibly change the system altogether. So that you see the answer suggested, owing to present conditions, is not an answer at all. Even in coal, we are not in the happy position of Nova Scotia, with a large market at our doors. Our principal market is the Pacific coast, which is limited to certain requirements, and the recent developments in the oil-fields has produced a new fuel, which is taking the place, to some extent, of coal. If we put a further tax on the output we take it out of the pockets of the local consumer. It is true we have coal-fields in the interior supplying coke, but if an increased tax were put or there it would have to apply to all coal produced in the province.

That British Columbia, under the burdens it has had to carry, should have prospered as it has, and perfected its machinery of administration in all lines of civil government, is, I am proud to say as premier, a tribute to the enterprise, stability and intelligence of its citizens. By faith in the possibilities of the future, we have overcome many difficulties and placed the province in an enviable position of prominence, to which, of course, many natural advantages and attractions have contributed; and, of course, too, when I say that, I say as much for eastern Canada, from which our best blood has been drawn, or from stock common to both in the older countries in Europe.

You are no doubt thoroughly familiar with the grievances of which Nova Scotia complained at the time that province claimed better terms. You will observe that two of the grounds, at least, upon which redress is sought are identical. It was upon

those two grounds, namely, inadequate sources of local revenue, and physical environment, that after careful investigation, the claims of Nova Scotia were recognized and allowance made therefor. You will remember also that as late as 1885 the grievances of Nova Scotia were still an issue in that province, when the legislature of that province passed a resolution declaring for better terms or secession. The Hon. Mr. Fielding, present Minister of Finance, was leader of that movement and in the resolutions in question set forth that the disabilities, of which Nova Scotia complained in 1868, still existed, and had become accentuated by the lapse of time. While no formal settlement of these grievances took place, nevertheless it is well known that the Dominion government made concessions which appeared the discontent, and we have heard nothing more of it. There are, therefore, most substantial precedents to justify our course.

There are a number of matters included in our case, which, apart from the question of readjustment of financial relations, have been outstanding in dispute for some time, which are of no special interest to you and to which I need not draw your attention. But on the main issues I cannot better emphasize the importance of our contention than by quoting an extract from my predecessor contained in a letter to the Rt. Hen. Sir Wilfrid Laurier on the subject.

'The potential sources of revenue belong to the Dominion. We have proved to you that we pay three times the average contribution of Canada to the Dominion and get less than half back. If the people of British Columbia were able to retain all they contribute in taxes to the provincial and Dominion governments, they could support every public utility of the province, both provincial and Dominion, build their own railways, and still have a surplus every year to their credit.'

I must apologize for so unduly trespassing upon your time and attention as I have in this letter, but I wished you to understand clearly the merits of our contention, and to demonstrate to you what a special interest I take in the objects of your convention, and how much we, in this part of the world, sympathize with any concerted movement looking to the revision of the terms of confederation so far as they affect the subsidies paid to the provinces. I hope to see you while east, and in the meantime I beg to assure you of my sincere desire to co-operate.

Yours very sincerely,

EDWD. GAWLER PRIOR,
Premier.

Ottawa, February 4, 1903.

In making claims on the Dominion government, the government of British Columbia has not striven to make a case to bleed the Dominion treasury in order that they may replenish the provincial treasury.

* * * *

The position we take is not that the Dominion government has violated the terms of union or that we are entitled to compensation for lack of fulfilment in any substantial respect as the performance of a legal contract could be construed; but we do centend that in the development of the constitution, in its actual operation, from the date of confederation in 1871, that a state of affairs has grown up in British Columbia and in the Dominion, as the result of the union between the two, that has established a moral right and a sound constitutional claim on our part for increased recognition—a state of affairs that was not anticipated by either party to the federal compact.

* * * *

That there is an absolute precedent in the Nova Scotia settlement of 1868, inasmuch as without any charge of violation of the terms of union by the Dominion the claims of Nova Scotia were recognized on the ground that the sources of revenue

left to the province were not sufficient to meet local requirements, and on the grounds generally that the peculiar geographical position and exceptional conditions of that province demanded a revision of the financial arrangements. It was admitted in parliament that there were substantial grounds for the claims made, that there was an injustice, and that it was incumbent upon the Dominion government to redress grievances where they existed, not only on moral grounds, but to ensure the success of confederation;

That after careful investigation and reference to the best and highest authorities that it was competent for the parliament to adjust financial relations where necessary

without a change in the British North America Act;

That the principle once established and, as a matter of fact, put in force, on several subsequent occasions in respect to other provinces, it is not only competent, but a matter of right and constitutional necessity on the part of the Dominion, to apply

that principle whenever and wherever the circumstances justify it;

That it is recognized that the Act of Union is a contract and a treaty binding for all time to come, but that it is not a contract like the laws of the Medes and Persians, invariable, but subject to modifications as circumstances demand, as the resolutions of the premiers presented to you last Tuesday week premise. At the time of the British North America Act, or the British Columbia terms of union, were passed, it was impossible for either party to foresee the results of union, or to fix in an absolutely definite way and unalterably the financial relations so as to provide equitably for all time to come for the requirements of both classes of governments; and that it was the evident intention of the framers that adequate provision should be made for both.

The people of British Columbia did, from a local knowledge of their own province, appreciate the necessity of and stipulate for a much larger provision for the financial requirements of the province than was conceded by the Dominion;

That the Dominion government did not agree to the terms of British Columbia for the reason that they feared and believed that this province would remain a drag on the Dominion, and it is well known they could only secure the ratification of the treaty in the House by granting the least favourable conditions possible.

* * * *

The reasons which dictated the policy of the government at that time have been shown by the developments which have taken place in British Columbia, and the financial results which followed, to have been entirely and absolutely erroneous and unfounded;

And that, therefore, although the framers of that treaty were without doubt honest, high-minded, and from the knowledge they possessed then, justified in that course, their reasons having proved unfounded, the government of to-day is entitled in equity to recognize the consequences of these errors, and compensate for the inordinate benefits the Dominion has received, and also increase the allowance for the requirements of the public service in a province demanding so extraordinary a rate of expenditure for its settlement and development.

I want to point out to you what our special circumstances are:

- 1. The cost of administration owing to the physical character of the country.
- 2. The distance from the commercial, industrial and administrative centres of eastern Canada.
- 3. The non-industrial character of the province, as compared with eastern Canada, whereby a larger percentage of goods are imported and consumed, increasing the contributions to the federal treasury, in the way of taxes in a ratio of three to one.
- 4. The disadvantage of the province in relation to the markets for its special products.

I have in the letter to Hon. Mr. Parent, in your possession, gone into a brief discussion of all these points, and I wish to draw your attention to that letter; but I wish, as part of the subject is new matter, particularly to deal more in detail with one or two of the points referred to.

COST OF ADMINISTRATION.

In regard to No. 1, I have only to exhibit this map to illustrate what I mean by the physical character of the country increasing the cost of administration. The whole interior of the province of British Columbia is more or less mountainous, and the valleys or agricultural parts suitable for settlement are few and far apart. The settlements that have taken place through mining development are also widely distributed and found often in very inaccessible places. In fact, without going into a long description of conditions with which everybody who has been in the country is familiar, the cost of building roads to connect these various settlements, sometimes over mountain tops, or along their steep sides, through rock, &c., is very expensive; and in many instances the expensive means of communication, which it is necessary to provide, only serve a comparatively few people, from whom there is anything but adequate revenue to be derived.

It is necessary, too, to provide educational facilities, supply officials in various capacities, build public buildings; in short, supply all the facilities that would be necessary in a thickly-settled community. This is not only true of the interior, but also of the coast, where the thickness of the forest, the denseness of undergrowth and great size of the trees make it still more expensive to clear and grade roadways.

As you will see by this map, we have only begun to touch the rim of the province, and ye: the government has, according to a statement prepared for me by the government engineer, who says it is well within the mark, built 6,000 miles of road at a cost of \$12,000,000, and 5,000 miles of trails at a cost of \$1,000,000, or \$13,000,000 in all. Now, to give the rest of the province still undeveloped a similar system of communication, will cost I do not know how many times more. Few of these roads can be considered as finished roads at that. They are, as a rule, nine or ten feet wide, simply $\operatorname{grad} \epsilon^{-1}$ roughly, and constantly being repaired and improved. There are also numerous bridges and culverts to be constructed, which are very expensive indeed. I am submitting the particulars of a few roads that have been built of late years, to give you an idea of the cost in different districts, as follows:—

	Length.	Width.	Cost per Mile.
In East Kootenay Revelstoke. Slocan Riding. Yale (West) Yale (East) Richmond (Coast) Rossland Zew Vancouver (Coast)	Miles. 20 41 121 4 53 4 63 1*8 9	Ft. 9 10 9 10 to 12 12 to 14 16 to 22 10 12 to 16 10	\$ 1,000 3,350 1,600 4,544 8,700 2,000 1,185 2,220 1,510

All of these are still under construction.

The physical configuration of the country, therefore, greatly increases the cost of government. Population can never be concentrated or compact, and as a consequence the cost of the individual factor of population is proportionately very much greater than in the eastern provinces. The revenues, as a consequence, to be derived must be very much less in proportion to the area, or the individual must be taxed very much higher. One or both of these results invariably follow.

I have made a comparison of the cost of the various services in the different provinces under different heads as nearly as could be grouped from what appears in the Public Accounts, and the result is as follows, which is substantially correct, though subject to correction in some details:—

	British Columbia.	Manitoba.	Ontario.	Quebec.	New Brunswick	Nova Scotia.	Prince Edward Island.
Population (in round figures) Administration of Justice. Civil Government. Legislation Public Institutions. Public Works. Education (1891)	1.20 95 25 60 2.44	256,000 52 18 	2,185,000 '20 '13 '065 '38 '12 1 '91	1,650,000 '33 '18 '09 '31 '065 1'91	330,000 055 095 11 24 60 1.92	460,000 ·16 ·11 ·36 ·34 ·34 ·1·81	103,250 16
Total cost of administration.	11.62	4.00	1.85	2.70	2.40	2.04	3.00

There is still to take in the cost of municipal government. As it happens, there are only two provinces which compile municipal statistics, Ontario and British Columbia, but for our purposes Ontario may be taken as fairly representative of the others. The cost of municipal government, according to latest published returns of the Ontario Department of Statistics, is \$6 per head of the population.

We have now the basis of a perfect comparison between British Columbia for the year 1901, in respect to the cost per head for governmental purposes, and it is as follows:—

	Ontario.	British Columbia.
Provincial Municipal Customs (average for Dominion). Excise	\$ cts. 1 85 6 00 5 28 2 00	\$ cts. 12 60 1 75 16 00 *
	15 13	30 35

^{*} Included in Customs.

There are two important distinctions to make in the case of British Columbia as compared with Ontario, and to some extent with the other provinces, and they are that owing to the municipalization in the east, a very large burden of responsibility is thrown upon the municipalities which, in British Columbia is borne by the province and that owing to the character of the population in British Columbia, which included 45,000 Chinese, Japanese and Indians, who contribute to the general revenues in a very insignificant degree, the whole of the taxation falls on a population equivalent to about 50,000 adult white male population, or an amount of over \$100 per head for all purposes per annum. The above comparison is therefore greatly increased as against British Columbia, and exceeds all round the ratio of three to one. This is a condition of affairs arising out of our peculiar physical characteristics and geographical situation, for which we claim special consideration.

To illustrate more clearly the effect of the physical configuration in the cost of administration, I have here a table showing the expenditure and receipts in three of our large outlying districts covering a period of five years. The expenditures include the cost of salaries of officials in the districts, of education, hospitals and charities,

works and buildings, roads, streets and bridges, surveys and miscellaneous, but not of the administration of justice, of legislation, the interest on public debt, the general expenses of civil government, and many other large items of expenditure which cannot be apportioned to districts. The revenues include all the revenues which arise out of the respective districts. The totals are:—

For Five Years, 1896-7 to 1900-1.	Expenditure.	Revenues.
Cassiar. Cariboo. Yale.	\$ cts. 311,908 94 340,007 85 727,323 83 1,371,240 62	\$ cts. 323,038 37 307,832 04 683,480 50 1,314,350 91

From the results shown in the above five years' experience, it will be seen how far short the ordinary revenue is of the ordinary expenditure in such large districts. The revenue includes all sources of money supply, while the expenditure only includes the appropriations within the districts.

As another illustration of how the financial situation works out in new districts, last year there was a proposal to settle one hundred families in the fertile valley of the Bulkley river, south of Hazelton, on the Skeena river. The members of the colony as inducements, asked that the government should assist them in taking their families and effects, to give them 320 acres of land free for each family, to build a road from Hazelton to the settlement, 75 miles in length, and build schools, &c. Upon making an estimate, the initial cost for the first five years was as follows:—

Road from Hazelton, 75 miles	\$75,000
Two schoolhouses	5,000
One government building	
Cross roads	5,000
Total	\$86,200
In addition to this to be taken into account was:—	
The salary of two teachers	1,800
The salary of one government official	
Or a total in five years of	15,000
Grand total outlay in five years	\$101,200

The greatest possible revenue that could have been reaped in return would have been:—

Poll tax at \$3 per head per annum on 300 male adults \$ 900
Land tax on a valuation of the government price of land
for purchase at \$5 per acre
\$2,100
Or in five years\$10,500
At the end of five years, provided the land was pre-empted
on the usual terms the government would receive, at
\$1 per acre \$ 32,000
Or a total of
As against an expenditure of over

Of course, in five years there would have been others added to the population, and in all probability there would have been miscellaneous receipts under mining licenses, &c., but there would have been increased expenditure as well. This shows, in a practical way, what it costs to open up new districts in British Columbia. In other words, unless mining development accompanies settlement to increase the revenue, the ordinary settler, to use a homely expression, costs more than he comes to.

On the other hand, one hundred families settled there would have contributed at least \$2,500 per annum to the Dominion treasury, without the government practically

assuming any responsibility in connection with them.

These are the practical problems which the local government have to face in British Columbia, and is one reason why we claim the local sources of revenue are not sufficient to meet the demands on the treasury, as is in fact shown by the receipts and expenditures since Confederation. I think I have shown you very clearly that we cannot administer the affairs of the province on a basis similar to that of the other provinces or anything like a similar allowance for local expenditures.

POSITION OF ISOLATION.

With regard to consideration No. 2, there are two features of our relations which have had very important effects; one is political, and the other is commercial. I shall simply point to the serious handicaps distance and the lack of representation in the Dominion cabinet have had upon our affairs. I shall not dwell upon it. It is manifest. In matters of moment, correspondence is always unsatisfactory, and to go to Ottawa for the purpose of obtaining personal interviews with members of the government involves much time and money, with the result that in the past, in most cases, our interests have been sacrified or overlooked for lack of that personal attention which in eastern Canada is always possible to obtain without much expense or inconvenience.

The commercial aspect is the one which, however, has the keenest interest for us. I refer to the extra cost to the consumer occasioned by freight rates from the east. We have, from the outset, and more particularly from the time that the Canadian Pacific Railway was completed, purchased the greater part of our supplies of all kinds from eastern Canada. British Columbia and the North-west have been, and are to-day, the best markets the eastern merchant and manufacturer have, either at home or abroad.

In eastern Canada—in what we may call old Canada—the cost to the consumer conveyed from points of entry like Montreal, Toronto, Halifax, and other cities, varies from the nearest points to the most distant, from 12½ cents per 100 pounds to 50 cents. It may in exceptional cases reach 75 cents. The official through rate from eastern distributing or terminal points to western terminals varies, according to the classification of goods, from \$2 to \$3.25 per 100 pounds. What are known as commodity rates to meet competition from New York to San Francisco and other coast points is, however, lower than that. In addition to that, while the consumer in the east only pays one local rate, the people of the interior not only pay the through rate to the coast, but the local rate back again, which, in some cases, equals the through rate. It makes no difference whether the car of goods is delivered in Nelson or Vancouver, that is the case. It is impossible to avoid the conclusion, therefore, Sir Wilfrid, that freight rates, by virtue of our position, constitute a very important additional impost which the consumer has to pay to the Dominion in another form.

* * * * * *

I have taken the auditor general's report for the fiscal year ending June 30, 1901, the latest available, and I find that all the items of expenditure of every character and for every purpose amount to \$1,869.648. That includes \$234,960 for the telegraph line into Dawson through British Columbia, and \$128,140 for defence work at Esquimalt, which is entirely national in its character.

Our contributions on the other hand under all heads amount to \$3,342,874.

In the last ten years our contributions have amounted to in round numbers \$26,000,000; and the expenditures within the province, of the Dominion, have amounted to \$11,500,000.

* * * * * *

As shown in the accompanying memorandum in dealing with the Nova Scotia case for better terms, it was held that that province by reason of its position and the nature of its population did pay more duty to the Dominion than other provinces, and it was conceded, if true, to be a circumstance worthy of being taken into account. It is demonstrated in our case to be true beyond any question or shadow of doubt, and to an extraordinary extent. If in reply it be stated that that is one of the natural outcomes of Confederation, which could not be helped or anticipated, we say it is the duty of the Dominion government to seek for and apply the remedy by increasing the allowance to the province as a compensation for its undue contributions to the Dominion treasury.

In the statement of receipts and expenditures given in the report of the Delegation of 1901 from which I have quoted, the expenditures are not distinguished in the way of capital account and otherwise, as might have been done, charging ourselves simply with the interest per annum. As a plain matter of bookkeeping we have put down on one side all the revenues from the province, and on the other, put down all the moneys that have been expended by the Dominion in the province or on account of the province for whatsoever purpose. We have not included the cost of the Canadian Pacific Railway, as that was a national undertaking for national purposes: but we have included such expenditures, which are national in the same sense, such as building of the Esquimalt graving dock, the construction and maintenance of lighthouses, quarantine and immigration, Dominion steamers, marine hospitals and the cost of the Indians, for whom we set apart over half a million acres of our best land. We have charged ourselves with the subsidy which was allowed the province on account of the Dominion railway belt within the province, but we have not charged the Dominion with over 59,000,000 acres of land in that belt, which was estimated by the government at the time of Confederation as worth \$1 per acre.

DISTANCE FROM MARKETS.

I now come to the last head. In my letter to Mr. Parent, I alluded at some length to this phase of the matter. I pointed out that while we bought so extensively in the east, and paid the high rates of freight which the distance necessarily entailed, there were no markets in the east for our products, and that ever since Confederation we have had to find a market in Great Britain and foreign lands for our lumber, fish and minerals, and sell in competition with the products of other nations, where there was cheap labour. We have had to pay long distance freights on both what we bought and sold; we have been obliged all through life to reverse the order of successful business principles and buy in the dearest market and sell in the cheapest. It is only recently that we have been able to find a market in Canada for lumber and fruit, and that is in the North-west.

* * * * * *

There are many ways in which we think it would pay the Dominion—we don't ask it as a favour to the west—to pay more attention to the resources and possibilities of the country on the Pacific coast. In the past, every step in that direction has sent the revenues up by bounds, and this in future is still more possible, by instituting a policy of increased railway development, encouragement of shipbuilding, assistance to the iron and steel industry, ameliorating the conditions of the lead and silver mining; and what is very important, the exploitation of markets on the Pacific ocean to which the products of British Columbia would be directly tributable. The government of British Columbia on its own account has been making investigations in the direction of extending trade in its special products and finds that in fish and fish

products, iron and steel and their manufactures, paper and pulp, and timber and lumber there are possible openings of great value, and that the resources of the coast of British Columbia with available facilities for cheap ocean transportation, upon which the whole fabric largely depends, are such that without entering into competition at all with the products of Eastern Canada a magnificent trade could in time be built up on the west coast and industries of great magnitude established. These would be of inestimable value to the Dominion and repay a hundred fold the energies and expenditures involved in bringing it about.

EDWD. GAWLER PRIOR.

Premier of British Columbia.

APPENDIX TO MEMORIAL OF BRITISH COLUMBIA OF FEBRUARY 4, 1903.

NOVA SCOTIA BETTER TERMS.

Although the matter came up for debate in the Dominion House of Commons and in the Ontario legislature after the settlement of the Nova Scotia grievances upon the initiation of the Hon. Edward Blake, then as now a very respectable authority upon constitutional matters, there was nothing to show in what occurred at the Quebec Conference or at the time of the passing of the Act that the terms arrived at represented a finality.

* * * * * * *

Hon. Edward Blake also held that the financial relations made by the Union Act as between Canada and the several provinces could not be changed without the consent of the several provinces. This point, so far as can be gathered from the debate, was not discussed in the House of Commons in connection with the resolution of Mr. Blake, moved on March 30, 1870, but it did come up incidentally in connection with the debate upon the admission of British Columbia into Confederation in 1871. On that occasion it was shown that the compact between the province and the Dominion was in the nature of a treaty; but it was not a treaty among provinces, which could only be altered by the consent of the provinces. The terms of the British North America Act implies no compact as among provinces, any more than there is an implied compact among municipalities in any of the provinces. The Crown colonies had certain sovereign rights of their own apart from any other Crown colonies, and when passed into Confederation they carried those sovereign rights, so defined in the Constitution, into Confederation with them. The terms of a treaty between powers affecting only those powers can always be altered or modified by those powers by mutual consent; and the Dominion by virtue of its sovereign rights over the expenditure of its own revenue can always readjust the financial relations existing between itself and any of the provinces. The exercise of this right is subject only to disallowment by the Imperial government.

As pointed out in the resolutions passed at the recent conference of provincial premiers at Quebec, there are two important considerations to be kept in mind.

One is, that at the time the British North America Act was passed in 1867, and at the time the Union Act of British Columbia was framed, it was impossible to foresee the development of the Dominion or of the province of British Columbia and to fix in a definite and unalterable way the distribution of the revenue so as to make sufficient provision for the central government and at the same time to furnish the various provinces with the means adequate to carry on the local affairs.

The other is that it was the evident intention—it could not have been otherwise—of the framers of the terms of union, to make adequate financial provisions for carrying on the affairs of the central government and those of the various provinces.

* * * * * *

To begin at the beginning and review briefly the Nova Scotia case, and institute a comparison as we proceed with the conditions which obtained in British Columbia, it may be remarked that the people of Nova Scotia first and foremost declared that they had unwillingly entered the federal compact, that, in fact, Confederation had been forced upon them, and that the dissatisfaction with the terms of union would simply tend to aggravate the situation. It is now conceded, of course, that the Nova Scotians were unwilling partners in the first instance, and that it had much to do with the dissatisfaction arising out of the terms upon which the province entered Confederation.

BRITISH COLUMBIA A PARALLEL.

In a very important sense British Columbia more than Nova Scotia did not willingly enter the union.

It is true that the terms of union were finally passed by a unanimous vote of the assembly, and that at that time the Act of Union was practically unopposed. Prior to that, however, the proposal to enter Confederation, had been voted down in the legislature and was strongly opposed by the executive council * * * * In fact, had it not been on account of the isolated position of the province and the hard times which existed as the result of over-speculation in real estate and the slump in the output of the placer mines, British Columbia would not have joined the union at the time it did. They agreed to it wholly and solely on account of the prospects of a railway which Confederation afforded. That one idea swayed the feeling for union, and to obtain it many other considerations affecting future relations were lost sight of. It is questionable even then if the executive council would have passed it at the time it did, if it had not been for the influence of the Imperial authorities.

Therefore, to a considerable degree at least British Columbia had but little alternative in the matter of joining the union with the other provinces, and under the circumstances may be said to have been forced into Confederation as much as Nova Scotia was. Further reference to the subject will be made in connection with the consideration of financial relations.

DISABILITIES OF NOVA SCOTIA IN RESPECT TO REVIEW.

The agitation for repeal of the terms of union in Nova Scotia, in 1868, became very bitter, and reached a crisis in that year, when the people were almost unanimous for secession. After matters had reached such a stage that seemed almost impossible to conciliate them. Sir John wrote a letter to Hon. Joseph Howe, who was the leading expenent of the grievances of the people, and was head of the agitation, which, however, had gone beyond the limits anticipated by him at the outset. Sir John Macdonald in his letter suggested a quiet conference with a deputation from Nova Scotia, in which the whole matter could be talked over fully and frankly and promised that the Dominion government would adjust any inequalities that could be shown to exist, and assured them of its desire to meet the province in a most liberal spirit. To this letter Mr. Howe responded in the most friendly spirit and assured Sir John of the support of the representatives from that province in case justice was done. The arguments adduced by Mr. Howe and his colleague, Mr. A. W. McLellan, might, in some respects, have been adduced by the deputation from British Columbia.

As the result of this correspondence and negotiation, which has only been briefly alluded to, the Dominion government agreed to two things:

1st. That the debt of Nova Scotia, on entering the union, be placed at \$9,186,756 (instead of \$8,000,000), and that the province be relieved from any charge of interest, unless her debt exceed that sum; and

2nd. That for ten years from July 1, 1867, an annual subsidy of \$52,698 be paid to that province.

There were in the list of grievances of Nova Scotia, practically speaking, eight heads, which may be enumerated as follows:—

The non-consent of the people to union.

An unjust proportionment of debt.

Non-allowance for cost of new provincial building taken over by the Dominion.

Non-allowance for provincial note circulation of Nova Scotia.

Non-deduction from savings banks deposits.

Non-allowance for stores in hand at time of union.

Non-allowance for difference in currency.

Inadequate provision for local expenditure.

Of these, only two were allowed, and of these the last named was the most important, and is the one upon which the province of British Columbia makes a demand for increased subsidy.

It may be readily admitted that, at the time Nova Scotia made her demands, it was a critical time in the history of the Confederation movement, and that it was politic as well as extremely necessary, in the cause which the Fathers of Confederation had at heart so much, that the discontent in that province should be allayed; but it was also true that a substantial and very real injustice existed, that the grievances were submitted to competent authorities for reports as to their genuineness, and that these reports in regard to the main contentions of the people of Nova Scotia confirmed the grievances as substantial, and that the remedy which gave relief was constitutionally and properly applied.

It is true that a resolution was passed by the House of Commons in 1870, immediately subsequently to its review of the Nova Scotia case, declaring that in future, in the opinion of that House, beyond the Act respecting Nova Scotia, no further grant or provision should be made out of the general revenues of Canada for the support of the government or legislature of any one of the provinces. In this Sir John Macdonald acquiesced, amid the laughter and cheers of the House. Such a resolution did not in any way shut the door to future adjustments, and was purely political in its character.

A SECOND AGITATION IN NOVA SCOTIA.

That it did not, and should not, shut the door even to the people of Nova Scotia, was an opinion shared evidently by the Honourable Mr. Fielding, present Minister of Finance, who, in 1884, led another agitation in that province and carried it sweepingly on the cry of better terms or secession. As a consequence, a resolution was passed in 1885 by the legislative assembly of Nova Scotia in which it was resolved that at the time of union the financial terms were wholly inadequate to meet the requirements of the various services of the government; that after seventeen years it was found that the objections first urged applied with greater force than in the first year of the union, and that if better financial terms were not made, the House affirmed the advisability of taking steps to secure a severance of the political connection between the province and the Dominion. Here again was affirmed the paramount principle of insufficiency of revenue.

It was again a critical time in Canadian history, owing to the troubles in the North-west, and the result of the second appeal to the Dominion, although the claims

were never formally recognized, was that the construction of the Extension Railway was taken over in Nova Scotia, together with the acquisition of wharves, and the payment therefor was made by the Dominion government in the sum of \$1,324,042.

The precedent for better terms may, therefore, be regarded as absolutely estab-

lished.

BRITISH COLUMBIA FINANCIAL TERMS.

Coming back again to the question of financial relations so far as British Columbia is concerned, several very interesting points were brought out during the debate on the resolutions submitted by the executive council in 1871 to the legislative assembly and in Committee of the Whole. It is almost necessary to read these debates in full in order to enter into the minds of the men who were committing the colony to Confederation, and to understand the motives which they had in view and the impressions they had in regard to the probable outcome. The legal effect of a transaction is in law often determined by the mental attitude of the person responsible for it. That is to say, it is often necessary to inquire into the conditions surrounding the performance of an act or the making of a contract. So the Act of Confederation, binding on future generations, should be viewed as far as possible through the eyes of the men who originated and sanctioned it, and the conditions which influenced them should be understood in order to say whether the contract then entered into mutually is such a contract as in equity requires substantial revision. There is this material distinction between a commercial or business contract, and a political compact or treaty. In the one, terms are capable of being enforced to the letter irrespective of their consequences to the interests of either party to it. In the other a contract or treaty between the Dominion and the provinces which the Act of Confederation really was, is entered into not only ostensibly for the good of the whole people and the mutual advantage of the two powers so alien, but good and mutual advantages are essentially the very essence of the contract, and if in the operation of the Act it can be shown that one of the powers affected is unduly burdened by the conditions, and the results are inequitable, there is an absolute constitutional necessity for readjustment. There is nothing commercial whereby one of the parties may hope to reap a profit at the expense of the other party involved in a treaty of Confederation.

THE BASIS OF SUBSIDY.

British Columbia had then less than 10,000 of a white population, and its entire population was estimated at and probably did not exceed 40,000. A subsidy based on population at 50 cents a head would have been manifestly insufficient. It was decided to fix the population at a nominal figure of 120,000. The wisdom of this arrangement, had it been carried out, has been confirmed by our subsequent experience. The basis of 120,000 was arrived at in this way, as stated by the mover of the resolutions:

This estimated population of 120,000 is nominal and has been arrived at by comparison of the revenue and population, because in the absence of actual census, as to facilitate financial arrangements, it has been deemed best to calculate according to the revenue producing powers of British Columbia compared with Canada, thus we have it officially from Canada, that her customs and excise produced \$2.75 per head of the population; at the same rate \$2.75 per head, our customs represent the same as a population of 120,000 Canadians produce. This estimate of 120,000, therefore, though nominal, is really just and fair.

The amount of debt we were desirous of having allowed for by the Dominion was also arrived at in the same way. The Chief Commissioner said, among other things:

With regard to the reasons for adopting the number of 120,000 as the basis of population, we ask something for undeveloped resources. The expenses of living in

this colony are much higher than on the Atlantic coast; there is more per head paid for taxes here than in any other part of the Dominion. One dollar here is in reality worth no more, that is to say, it goes no further than one shilling in the eastern provinces; and one man here pays as much to the revenue as four on the other side. The basis in fact is the basis of customs paid by each individual, in this colony, compared with the customs revenues per individual in Canada. * * * * * Practically and equitably, I believe this to be a fair basis. It may be open to some logical objections, but I believe it is equitable. The estate which we propose to hand over, yields at that rate as we now find it. We turn over into the hands of those who are to manage it. It is for us to consider how. If they reduce the customs, it is nothing to us, we must have a basis as favourable as this.'

It is unnecessary to quote at length the many references to that feature of the situation as it then appeared, but the necessity of largely increased subsidy from the Dominion, over what was finally decided upon, was fully anticipated, and strongly dwelt upon throughout. But the prospects of obtaining a railway, coupled with the fact that the Dominion Government would not agree to the financial terms proposed by British Columbia, led the House finally to concur in the terms offered by the Dominion, which have proved to be inadequate financially and inequitable.

AS VIEWED IN THE HOUSE OF COMMONS.

It will be interesting to note how little was understood of British Columbia in the Dominion House when the proposal came to be discussed there, where it was discussed rather in the light of assuming a very great burden for the sentimental purpose of rounding out the Dominion. It was never expected apparently that this province would pay the Dominion in the ordinary sense of the term, and this accounts for the rejection by the Ottawa Houses of the financial terms offered by the province. One or two extracts will suffice:

Hon. Mr. Sanborn in the Senate said: 'It does seem to me a monstrous proposition to ask this House to accept such terms as British Columbia, which does not enjoy responsible government at all, may choose to offer. If the hon. member will look over these papers he will see that Governor Musgrave sends a petition from certain persons in Victoria, asking for some alterations in the terms. He tells them that the people in the colony have the best terms they can expect—in fact better terms than they ought to have; but, nevertheless, he will send the memorial in the hopes of getting still more.'

Hon. Mr. Hazen said: 'I cannot see how British Columbia has the "cheek," if that is a parliamentary expression, to ask so much. I never saw a more extraordinary proposition in my life. I think we should leave the gentlemen who passed Confederation to assume the whole responsibility of this transaction.'

At the time British Columbia was admitted it must be understood that the government of Canada intended to build the railway by means of land grants, as had been done in the United States, and it was not then contemplated to give any large money bonus. Had that been anticipated at that time British Columbia would not have got even as good terms as she did or might have not have been admitted at all. The policy of the government was definitely announced in the Senate by the government leader in these words:—

'We knew what had been done on the other side of the border. The Northern Pacific Railway was being built simply by land grants. We certainly had plenty of land to give for the same purpose, and the government proposed to act liberally.'

Moreover, the Dominion government expected to make a good deal out of the province in this, as announced by Sir George Cartier, in the Commons:—

While this clause was under discussion between the delegates (of British Columbia) and the government, it was proposed by the Dominion that the colonies should hand over a forty-mile strip of land towards the construction of the railway. That would be 24,000 square miles of land, or 50,360,000 acres of land, not merely agricultural land, but mineral land. Placing that land at one dollar per acre it would be equal to a grant of \$50,360,000 towards the construction of the railway. It was proposed to give the colony \$100,000 per annum, which placing the interest at five per cent, would be the annual interest on the value of 2,000,000 acres of land, leaving the remainder to be used by this government.

Sir Francis Hincks, Minister of Finance, figured it out this way:-

The charges to the Dominion in connection with British Columbia were estimated at \$460,000 and the revenues from all sources \$360,000, leaving an annual charge of about \$100,000 upon Canada.

Sir A. T. Galt said: 'By these resolutions they were threatened with a very grave responsibility in regard to the early commencement and completion of the Pacific Railway. He was certainly opposed to terms of this kind, however desirous of extending the union and meeting the wishes of British Columbia.'

That the terms were regarded as very liberal is shown by what Sir Leonard Tilley said by way of excuse for conceding so much as the Dominion already had to British Columbia:—

'He entirely agreed with his honourable friend, that it is impossible to take large provinces into the Dominion with a small population, and acquire all their lands, without giving them in return the means of carrying out the local works necessary to make the country attractive to immigrants, and how could it be expected that the people of this large province, twice the size of Ontario, would be in a position to develop the resources of their country without assistance—and that assistance was what the government proposed to render in the proposition before the House.

'At the present time, it cost from 12 to 14 cents a pound for all supplies snt into that country, and no one could live there unless he earned \$5 a day. If, however, the country were opened up, they would be able to get supplies there as cheap as in Ottawa, and those who now live on \$5 a day would be able to then live on \$2.50 a day, and there would very soon be a population which would yield a revenue that would speedily compensate for the cost of the railway.'

The facts, therefore, go clearly to show that when British Columbia entered Confederation, she did so, handicapped by every possible condition unfavourable to securing such terms as were necessary to efficiently administer the local government affairs and at the same time carry on the work of developing resources by the building of roads and railways, erecting bridges and wharves, public buildings throughout the country, &c. As a consequence, forty-nine-fiftieths of the province is still unopened and undeveloped, as will be seen more readily by a glance at the accompanying map, in which the settled portions are marked in red.

Owing to the lack of knowledge of the province which existed in older Canada, and the inability of either Canadians or British Columbians to foresee the nature of developments to follow Confederation, Canada on the one hand was unwilling to admit British Columbia except on the least onerous conditions possible, believing that it would remain a drag and a burden financially on the Dominion for all time to come, its union with the other provinces being only justifiable on the higher, sentimental

grounds of completing a Canadian nationality; while on the other hand, British Columbia, by reason of its isolated position and insignificant population was forced to accept terms the people who assisted in framing the constitution believed to be inadequate to properly provide for local requirements.

The extracts from 'Hansard' reports of the Debates on the admission of the province show clearly why British Columbia did not get better terms at the outset, reasons being advanced and acted upon which subsequent events have shown to have been

entirely erroneous.

EDWD. GAWLER PRIOR,

Premier of British Columbia.